

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit & Risk Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

	Note	March 31, 2019	December 31, 2018
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		3,165,993	4,166,773
Accounts receivable		172,948	71,381
Prepaid expenses and deposits		121,636	105,735
		3,460,577	4,343,889
Non-Current			
Deposits		11,000	11,000
Investments	3	72,008	72,008
Plant and equipment	5	303,322	317,856
Right-of-use asset	2, 4	219,927	-
Exploration and evaluation assets	6, 10	38,005,909	36,496,338
		42,072,743	41,241,091
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	802,817	223,714
Lease liability	2, 4	92,401	-
		895,218	223,714
Non-Current			
Deferred share units	8, 13	606,620	612,285
Lease liability	2, 4	128,830	-
		1,630,668	835,999
EQUITY			
Share capital	9	81,352,462	80,833,461
Share-based payments reserve		1,585,805	1,601,841
Accumulated other comprehensive income (loss)		(29,502)	(29,502)
Deficit		(42,466,690)	(42,000,708)
		40,442,075	40,405,092
		42,072,743	41,241,091

Approved on behalf of the Board:
"David Petroff", Director

"Darren Morcombe", Director

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE
LOSS
FOR THE THREE MONTHS ENDED MARCH 31
(Unaudited)
(Expressed in Canadian dollars)

	Note	<u>2019</u>	2018
		\$	\$
Expenses			
Depreciation	4, 5	38,970	16,178
Directors' fees	8, 13	15,000	12,000
Investor relations		84,789	75,515
Office and administration	13(a)	39,954	50,459
Professional fees		56,891	44,471
Salaries and benefits	8	160,286	125,016
Share-based payments expense	9(d), 13	171,290	309,152
Transfer agent, regulatory and filing fees		23,151	19,672
Travel and accommodation		2,435	4,070
		<u>592,766</u>	<u>656,533</u>
Other Items			
Interest and miscellaneous income		(18,846)	(14,116)
Other income	7	-	(556,007)
Revaluation of deferred share units	8	(51,915)	153,995
		<u>(70,761)</u>	<u>(416,128)</u>
Net loss for the period		<u>(522,005)</u>	<u>(240,405)</u>
Other Comprehensive Loss			
Items that may be reclassified subsequently to profit or loss			
Unrealized loss on investments	3	-	(24,003)
Total comprehensive loss for the period		<u>(522,005)</u>	<u>(264,408)</u>
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)
Basic and diluted weighted average number of shares outstanding		128,238,895	110,330,273

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital \$	Share-based payments reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
Balance, December 31, 2017		109,928,051	71,953,767	1,288,454	18,504	(42,023,754)	31,236,971
Net loss for the period		-	-	-	-	(240,405)	(240,405)
Other comprehensive loss		-	-	-	(24,003)	-	(24,003)
Issued pursuant to exercise of stock options	9(b)	905,000	882,832	(348,882)	-	-	533,950
Share-based payments expense		-	-	360,235	-	-	360,235
Balance, March 31, 2018		110,833,051	72,836,599	1,299,807	(5,499)	(42,264,159)	31,866,748
Net loss for the period		-	-	-	-	178,640	178,640
Other comprehensive loss		-	-	-	(24,003)	-	(24,003)
Private placement, net of share issue costs		17,191,400	9,126,632	-	-	-	9,126,632
Flow-through share premium		-	(1,129,770)	-	-	-	(1,129,770)
Share-based payments expense		-	-	386,845	-	-	386,845
Reclass of expired stock options		-	-	(84,811)	-	84,811	-
Balance, December 31, 2018		128,024,451	80,833,461	1,601,841	(29,502)	(42,000,708)	40,405,092
Net loss for the period		-	-	-	-	(522,005)	(522,005)
Issued pursuant to exercise of stock options	9(b)	1,650,000	519,001	(195,751)	-	-	323,250
Share-based payments expense	9(d)	-	-	235,738	-	-	235,738
Reclass of expired stock options	9(d)	-	-	(56,023)	-	56,023	-
Balance, March 31, 2019		129,674,451	81,352,462	1,585,805	(29,502)	(42,466,690)	40,442,075

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

(Unaudited)

(Expressed in Canadian dollars)

	Note	<u>2019</u>	<u>2018</u>
Operating Activities			
Net loss for the period		(522,005)	(240,405)
Items not involving cash:			
Depreciation		38,970	16,178
Directors' fees	8	15,000	12,000
Interest income		(1,649)	180
Other income		-	(556,007)
Revaluation of deferred share units	8	(51,915)	153,995
Salaries and benefits	8	31,250	24,000
Share-based payments expense	9(d)	171,290	309,152
		(319,059)	(280,907)
Net change in non-cash working capital	10	(56,804)	(488,960)
Cash used in operating activities		(375,863)	(769,867)
Investing Activities			
Purchase of equipment	5	-	(4,154)
Exploration and evaluation assets expenditures		(922,136)	(1,107,200)
Cash used in investing activities		(922,136)	(1,111,354)
Financing Activity			
Cash received on exercise of stock options	9(b)	323,250	533,950
Lease liability payments	4	(26,031)	-
Cash provided by financing activity		297,219	533,950
Net decrease in cash and cash equivalents		(1,000,780)	(1,347,271)
Cash and cash equivalents, beginning of period		4,166,773	5,299,680
Cash and cash equivalents, end of period		3,165,993	3,952,409
Cash and cash equivalents is comprised of:			
Guaranteed Investment Certificates		20,898	20,898
Cash		3,145,095	3,931,511
		3,165,993	3,952,409
Supplemental cash flow information	10		

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Foran Mining Corporation (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia. The Company and its subsidiary are involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office and registered and records office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$520,701 for the three months ended March 31, 2019 (2018: \$240,405). As at March 31, 2019, the Company had an accumulated deficit of \$42,465,386 (December 31, 2018: \$42,000,708). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future, therefore, a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the condensed consolidated interim statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") as issued by the IASB.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 which include the accounting policies used in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these condensed consolidated interim financial statements on May 28, 2019.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* (“**IFRS 16**”) effective January 1, 2019. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“**ROU asset**”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of comprehensive loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the consolidated statements of financial position.

FORAN MINING CORPORATION
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FOR THE THREE MONTHS ENDED MARCH 31, 2019

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting period have not been restated and are accounted for under IAS 17 *Leases*, and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard.

The Company applied the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Company has an office lease for its headquarters in Vancouver, British Columbia which was classified as operating leases under IAS 17. Upon transition to IFRS 16, these lease liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 7% as of January 1, 2019. As a result, the Company, as a lessee, has recognized \$244,363 as a lease liability, representing its obligation to make lease payments. A ROU asset of the same amount was recognized as a Right-of-use Asset, representing its right to use the underlying asset.

The following table summarizes the difference between the operating lease commitments disclosed immediately preceding the date of initial application and lease liability recognized on the consolidated balance sheet at the date of initial application:

	\$
Operating lease liability as at December 31, 2018	267,282
Effect of discounting at incremental borrowing rate	<u>(22,919)</u>
Lease liability recognized as of January 1, 2019	<u><u>244,363</u></u>

3. INVESTMENTS

As at March 31, 2019, the Company owned shares of one mineral exploration company listed publicly on the Canadian Securities Exchange that were classified as financial assets measured at fair value through other comprehensive income (“FVTOCI”) and carried at fair market value based on quoted market prices.

A summary of the changes in FVTOCI investments is presented below:

	\$
Balance, December 31, 2018 and March 31, 2019	<u><u>72,008</u></u>

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4. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its headquarter office space in Vancouver, British Columbia. Upon transition to IFRS 16, the Company recognized \$244,363 for an ROU asset and \$244,363 for the lease liability.

The continuity of the ROU asset and lease liability for the three months ended March 31, 2019 is as follows:

Right-of-use asset	\$
Value of right-of-use asset as at January 1, 2019	244,363
Depreciation	<u>(24,436)</u>
Value of right-of-use asset as at March 31, 2019	<u><u>219,927</u></u>
Lease liability	
Lease liability recognized as of January 1, 2019	244,363
Lease payments	(26,031)
Lease interest	<u>2,899</u>
Lease liability recognized as of March 31, 2019	<u><u>221,231</u></u>
Current portion	92,401
Non-current portion	<u>128,830</u>
	<u><u>221,231</u></u>

5. PLANT AND EQUIPMENT

As at March 31, 2019, the Company's plant and equipment consisted of the following:

	Computer and survey equipment	Camp Equipment	Furniture and fixtures	Plant	Trailers	Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2018	166,610	356,258	40,278	734,656	22,409	100,613	1,420,824
Additions	-	-	-	-	-	-	-
Balance, March 31, 2019	<u>166,610</u>	<u>356,258</u>	<u>40,278</u>	<u>734,656</u>	<u>22,409</u>	<u>100,613</u>	<u>1,420,824</u>
Accumulated Depreciation							
Balance, December 31, 2018	134,394	325,987	33,783	496,688	21,013	91,103	1,102,968
Depreciation for the period	2,383	2,239	320	8,802	86	704	14,534
Balance, March 31, 2019	<u>136,777</u>	<u>328,226</u>	<u>34,103</u>	<u>505,490</u>	<u>21,099</u>	<u>91,807</u>	<u>1,117,502</u>
Carrying Amount							
Balance, December 31, 2018	32,216	30,271	6,495	237,968	1,396	9,510	317,856
Balance, March 31, 2019	<u>29,833</u>	<u>28,032</u>	<u>6,175</u>	<u>229,166</u>	<u>1,310</u>	<u>8,806</u>	<u>303,322</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Unaudited)

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

	Mcllvenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
Balance, December 31, 2018	29,976,472	6,519,866	36,496,338
Exploration Costs			
Administration	73,377	-	73,377
Analysis	6,533	-	6,533
Camp costs	30,832	-	30,832
Consulting	175,327	-	175,327
Drilling	572,435	-	572,435
Equipment and communications	56,200	-	56,200
Feasibility	229,804	-	229,804
Fuel	141,850	-	141,850
Geophysics	27,508	-	27,508
Permitting	318	-	318
Salaries and benefits	154,423	-	154,423
Transportation and travel	40,964	-	40,964
Total Exploration Costs	1,509,571	-	1,509,571
Balance, March 31, 2019	31,486,043	6,519,866	38,005,909

a) Mcllvenna Bay, Saskatchewan

The Company owns a 100% interest in the Mcllvenna Bay mineral property located in Saskatchewan ("**Mcllvenna Bay**").

Certain claims that make up Mcllvenna Bay are subject to a Net Tonnage Royalty of \$0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return ("**NSR**") royalty interest in Mcllvenna Bay, which can be purchased at any time for \$1,000,000.

In December 2017 the Company entered into a technical services agreement (the "**Agreement**") with Glencore Canada Corporation ("**Glencore**"). The Agreement contemplates Glencore contributing its professional and technical services, assistance, guidance and advice in connection with the objective of completing a Feasibility Study on Mcllvenna Bay. In consideration, the Company has given Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from Mcllvenna Bay at prevailing market rates.

FORAN MINING CORPORATION
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(Unaudited)

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

b) Other Saskatchewan Properties

The Company holds interests ranging from 65% to 100% in five mining claim groups in its Saskatchewan property portfolio, exclusive of McIlvenna Bay ("**Other Saskatchewan Properties**").

The Company has committed, through previous mineral property ownership agreements associated with its Other Saskatchewan Properties, to pay various NSR and net profits interest ("**NPI**") royalties. The NSR royalties range from 2% to 2.5%, with buyout provisions for up to one-half of some of these NSR royalties, and the NPI royalties range from 6% to 10%.

c) Manitoba Property

The Company holds a 100% interest in one Manitoba property consisting of one claim, which has a carrying value of \$Nil at March 31, 2019.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, December 31, 2017	757,920
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(556,007)</u>
Balance, March 31, 2018	201,913
Flow-through share premium liability on the issuance of flow-through common shares	1,129,770
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(1,331,683)</u>
Balance, December 31, 2018 and March 31, 2019	<u><u>-</u></u>

8. DEFERRED SHARE UNITS

The Company has a deferred share unit plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Each DSU entitles the holder a right to receive the cash equivalent of one common share. Awards are initially charged to profit or loss using the market value of the Company's shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units. At each period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of the separation.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited)

(Expressed in Canadian dollars)

8. DEFERRED SHARE UNITS (continued)

On May 28, 2019 the Company's shareholders approved a 10% rolling Long-Term Performance Incentive Plan ("LTIP") which supersedes the DSU Plan as well as the Company's stock option plan (Note 9(c)). The LTIP allows the Company to grant awards to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding. The LTIP also introduces the availability of the Company to award restricted share units, performance share units and stock appreciation rights. The purpose of the LTIP is to attract and retain highly qualified individuals by allowing the Company to offer a broader range of incentives to diversify and customize the rewards for management, directors and consultants to promote long-term retention. One notable change is that the LTIP provides for the payout upon separation to be in shares or in cash, whereas the DSU Plan only provided for a payout in cash. The LTIP can be viewed in its entirety in the Company's Management Information Circular on www.SEDAR.com.

The Company's Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of \$10,417 per month. For the three months ended March 31, 2019, the Executive Chairman earned 97,912 DSUs (2018: 43,906) for a total value of \$31,250 (2018: \$24,000) which is recorded as salaries and benefits. The number of outstanding DSUs owed to the Executive Chairman at March 31, 2019 was 1,478,344 (December 31, 2018: 1,380,432) for a total value of \$473,070 (December 31, 2018: \$483,151) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

The Company compensates each of its independent directors with DSUs. For the three months ended March 31, 2019, each independent director earned the equivalent of \$5,000 in DSUs (2018: \$4,000) for a total of \$15,000 (2018: \$12,000) which is recorded as directors' fees.

For the three months ended March 31, 2019, the independent directors earned a total of 48,390 DSUs (2018: 22,200). The total number of outstanding DSUs owed to the independent directors at March 31, 2019 was 417,337 (December 31, 2018: 368,947) for a total value of \$133,548 (December 31, 2018: \$129,131) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

For the three months ended March 31, 2019, the Company recognized an unrealized gain of \$51,915 (2018: unrealized loss of \$153,995) on the revaluation of DSUs.

9. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value
An unlimited number of preference shares without par value

b) Share issuance details

Three months ended March 31, 2019

During the three months ended March 31, 2019, the Company issued 1,650,000 common shares pursuant to the exercise of 1,650,000 stock options with a weighted average exercise price of \$0.20 per share for proceeds of \$323,250. In connection with the exercise, an amount of \$195,751 was reclassified from share-based payments reserve to share capital.

FORAN MINING CORPORATION
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9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

Three months ended March 31, 2018

During the three months ended March 31, 2019, the Company issued 905,000 common shares pursuant to the exercise of 905,000 stock options with a weighted average exercise price of \$0.59 per share for proceeds of \$533,950. In connection with the exercise, an amount of \$348,882 was reclassified from share-based payments reserve to share capital.

c) Stock options

The Company has a rolling stock option plan (“**SOP**”) whereby the Company may grant options to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines. On May 28, 2019, the Company adopted a LTIP which supersedes the Company’s SOP (see Note 8).

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2018	9,231,667	0.29
Granted	2,070,000	0.34
Exercised	(1,650,000)	0.20
Expired	(125,000)	0.20
Balance, March 31, 2019	<u>9,526,667</u>	<u>0.32</u>

The following stock options were outstanding as at March 31, 2019:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
671,667	649,444 *	0.25	May 18, 2019	0.13
25,000	25,000 **	0.17	May 28, 2019	0.16
90,000	76,666 ***	0.48	May 30, 2019	0.16
675,000	675,000	0.20	January 20, 2020	0.81
2,385,000	2,385,000	0.11	March 8, 2021	1.94
1,455,000	1,455,000	0.40	March 9, 2022	2.94
1,725,000	1,150,000	0.57	January 31, 2023	3.84
80,000	53,333	0.57	March 7, 2023	3.94
350,000	116,667	0.41	August 23, 2023	4.40
<u>2,070,000</u>	<u>690,000</u>	0.34	March 27, 2024	4.99
<u>9,526,667</u>	<u>7,276,110</u>			<u>2.98</u>

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9. SHARE CAPITAL (continued)

c) Stock options (continued)

* Subsequent to March 31, 2019, 425,000 stock options with a weighted average exercise price of \$0.13 were exercised for proceeds of \$55,750 and the remaining 246,667 stock options with a weighted average exercise price of \$0.45 expired unexercised.

** Subsequent to March 31, 2019, 25,000 stock options with an exercise price of \$0.17 were exercised for proceeds of \$4,250.

*** Subsequent to March 31, 2019, 90,000 stock options with a weighted average exercise price of \$0.48 expired unexercised.

d) Share-based payments and share-based payments reserve

The share-based payments expense for the stock options that vested during the three months ended March 31, 2019 was \$235,738 (2018: \$360,235). Of this amount, \$171,290 (2018: \$309,152) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$64,448 (2018: \$51,083) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the three months ended March 31, 2019 and 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.47%	2.01%
Expected stock price volatility	83%	85%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the three months ended March 31, 2019, the Company reclassified \$56,023 (2018: \$Nil) from share-based payments reserve to deficit with respect to options that expired during the period.

10. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the three months ended March 31 consisted of the following:

	2019	2018
	\$	\$
Accounts receivable	(97,019)	(202,402)
Prepaid expenses and deposits	(15,901)	(258,787)
Accounts payable and accrued liabilities	56,116	(27,771)
	<u>(56,804)</u>	<u>(488,960)</u>

During the three months ended March 31, 2019 and 2018, share-based payments expense of \$64,448 and \$51,083, respectively, were capitalized to exploration and evaluation assets.

As at March 31, 2019, accounts payable and accrued liabilities included \$654,609 (December 31, 2018: \$131,622) of exploration and evaluation asset expenditures.

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(Unaudited)

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11. FINANCIAL INSTRUMENTS

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under policies and directions approved by the Board. Relevant policies include the Treasury Management Policy and the approval allowing a portion of the Company's cash to be held in US dollars at the discretion of the Chief Executive Officer and the Chief Financial Officer. The Board monitors these policies on an annual basis. The Company's Board has not approved the use of derivative financial products.

a) Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of investments, which are valued using Level 1 measurements.

b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The credit risk associated with cash and cash equivalents is minimized as these financial instruments are held with major Canadian commercial banks. In respect of accounts receivable, the Company is not exposed to significant credit risk as the majority consists of amounts due from Canadian governmental agencies.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

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11. FINANCIAL INSTRUMENTS (continued)

d) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds substantially all of its cash resources in Canadian dollars with an insignificant amount held in US dollars, making currency risk minimal.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment and the deferred share units.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2018.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

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13. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the three months ended March 31 was as follows:

		2019	2018
		\$	\$
Short-term benefits	1	191,863	205,419
Share-based payments expense	2	165,233	321,405
Directors' fees	3	15,000	12,000
Total		<u>372,096</u>	<u>538,824</u>

¹ Short-term benefits consisted of salaries, health benefits and DSUs for key management personnel, some of which have been capitalized to exploration and evaluation assets.

² Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

³ Directors' fees consisted exclusively of DSUs awarded to the independent directors, which is more fully described in Note 8.

a) During the three months ended March 31, 2019, the Company was charged \$4,243 (2018: \$2,138) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss. At March 31, 2019, accounts payable and accrued liabilities included an amount of \$4,243 (December 31, 2018: \$2,096) for this expense.

b) At March 31, 2019, the Company owed a total of 1,895,681 DSUs (December 31, 2018: 1,749,379) fair valued at \$606,620 (December 31, 2017: \$612,285) to key management personnel, which is included in the condensed consolidated interim statement of financial position.